

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04

SS-15 NSC-05 L-03 H-02 PRS-01 PA-01 USIA-06 TAR-01

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 8190

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: THE CASE FOR REVIVING TRADE COMMITTEE WORK ON
INTERNAL POLICIES

1. SUMMARY: MISSION BELIEVES THAT REVIVAL THIS FALL OF CURRENTLY DORMANT TRADE COMMITTEE WORK ON INTERNAL POLICIES WOULD BE USEFUL AS A SUPPORT TO TRADE PLEDGE AND, POSSIBLY, AS COMPLEMENT TO WORK ON SUBSIDIES IN MTN. MISSION REQUESTS AUTHORIZATION TO EXPLORE THIS IDEA WITH KEY DELS IN PREPARATION FOR TRADE COMMITTEE MEETING SEPT. 23-24, WHICH WOULD BE GOOD OPPORTUNITY TO GIVE NEW IMPETUS TO WORK OF TCWP ON THIS SUBJECT. END SUMMARY

2. OECD WORK ON INTERNAL POLICIES HAS LAIN DORMANT SINCE TCWP LAST TOOK UP SUBJECT IN EARLY 1974. RENEWAL OF TRADE PLEDGE AND CURRENT DIFFICULT INTERNATIONAL ECONOMIC SITUATION HAVE MEANWHILE MADE IT MORE LIKELY THAT COUNTRIES WILL RESORT TO INTERNAL POLICIES WHICH
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MAY HAVE, AS PARTIAL OBJECTIVE, IMPROVEMENT OF TRADE

POSITION. GOOD CASE IN POINT IS FRENCH EXPORT INVESTMENT CREDIT MEASURE, ON WHICH US HAS SO FAR BEEN UNSUCCESSFUL IN HAVING MULTILATERAL CONSULTATIONS IN TRADE COMMITTEE FRAMEWORK BECAUSE FRENCH VIEW IT AS MATTER OF "INTERNAL", RATHER THAN TRADE POLICY. FROM US POINT OF VIEW TIME WOULD THUS SEEM RIPE FOR RENEWAL OF OUR EXAMINATION OF THIS GENERAL CATEGORY OF PROBLEM IN OECD, WITH POSSIBLE GOAL OF ESTABLISHING AGREED PROCEDURE FOR CONSULTATION ON SUCH MEASURES WHEN MEMBERS FEEL THEIR INTERESTS ARE AFFECTED.

3. FURTHER WORK ON INTERNAL POLICIES IN OECD, WHICH TO LARGE EXTENT WOULD INVOLVE QUESTION OF DOMESTIC SUBSIDIES DESIGNED TO STIMULATE INVESTMENT OR ESTABLISHMENT OF NEW INDUSTRIES, MIGHT ALSO BE HELPFUL IN ACHIEVING COMMON VIEW ON THIS SUBJECT WHICH COULD BE USEFUL AT LATER STAGE IN SUBSIDY WORK IN MTN. IN ANY CASE, US WILL PROBABLY NEED TO BE PREPARED TO EXPLAIN RELATIONSHIP WE ENVISAGE BETWEEN WORK IN TWO FORUMS IN TRYING TO SELL IDEA TO OTHER DELS.

4. HOW FAR A US PROPOSAL TO REVIVE THIS WORK WOULD FLY WITH OTHER DELS IS UNCLEAR. US EFFORTS TO MOVE WORK FORWARD QUICKLY IN 1973 MET WITH CONSIDERABLE RELUCTANCE AND CAUTION, BUT LAST MEETING ON SUBJECT, IN MARCH 1974 (REPORTED IN OECD PARIS 6904), WAS VERY POSITIVE, WITH SEVERAL KEY DELS ACKNOWLEDGING THAT LOGICAL OUTCOME OF EXERCISE WOULD BE SYSTEM OF CONSULTATIONS IN A FRAMEWORK OF SHARED CONCEPTS. WORLD ECONOMIC SITUATION, WORK IN MTN, AND FOCUS OF OECD ACTIVITIES HAVE EVOLVED CONSIDERABLY SINCE THEN, SO THAT MEMBERS' ATTITUDES ARE DIFFICULT TO PREDICT A PRIORI.

5. WE RECOMMEND, THEREFORE, THAT MISSION BE AUTHORIZED TO SOUND OUT OTHER KEY DELS BEFORE TC MEETING SEPT. 23-

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24. IN PARTICULAR IT MIGHT BE USEFUL FOR US TO INDICATE ITS INTEREST IN REVIVING INTERNAL POLICIES WORK AT TCWP SEPT. 10, WHICH WILL BE CONCERNED PRIMARILY WITH PREPARATIONS FOR TC MEETING.

6. BACKGROUND: DEPARTMENT WILL RECALL THAT INTERNAL POLICIES PROJECT BEGAN AS SUGGESTION BY US AT DEC. 1972 XCSS THAT TRADE COMMITTEE STUDY GENERAL PROBLEMS OF NON-TARIFF BARRIERS (AS OPPOSED TO SPECIFIC ISSUES WHICH WOULD BE DEALT WITH IN GATT). SUBSEQUENTLY US ATTEMPTED TO GUIDE WORK IN DIRECTION OF AGREEMENT ON GENERAL PRINCIPLES WHICH WOULD REDUCE TRADE IMPACT OF INTERNAL POLICIES, SUCH AS NATIONAL TREATMENT, OPENNESS, MULTILATERAL REVIEW, ETC. OTHER DELS DID NOT BUY THIS APPROACH, AND WORK PROCEEDED SLOWLY ON BASIS OF SERIES OF CONCEPTUAL AND ANALYTICAL PAPERS BY SECRETARIAT (TFD/TD/718, 740, 759). AT MARCH 1974 TCWP MEETING, DISCUSSION CENTERED LIMITED OFFICIAL USE

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ON CRITERIA BY WHICH POSSIBLE TRADE DISTORTION EFFECTS OF INTERNAL POLICIES MIGHT BE JUDGED, AND SECRETARIAT WAS GIVEN TASK OF DEVELOPING SET OF "CONSTRUCTED CASES" TO WHICH CRITERIA COULD BE APPLIED. THESE PAPERS WERE COMPLETED EARLIER THIS YEAR AND ISSUED AS TFD/TD/826. KATZ

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